

REQUEST FOR PROPOSALS
FOR
ACTUARIAL CONSULTING SERVICES
NEW HAMPSHIRE RETIREMENT SYSTEM

**54 Regional Drive
Concord, NH 03301**

**Robert S. Leggett
Executive Director
April 14, 2006**

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**NEW HAMPSHIRE RETIREMENT SYSTEM
REQUEST FOR PROPOSAL
ACTUARIAL SERVICES**

1.0 INVITATION TO SUBMIT PROPOSAL

The Board of Trustees of the New Hampshire Retirement System (NHRS) through its Executive Director, Robert S. Leggett, request proposals from firms interested in providing actuarial consulting services to the NHRS, a \$5.0 billion public pension plan managed in accordance with the provisions of New Hampshire RSA 100-A:14, 15, and 16. The intent of this Request for Proposal (RFP) is to select a firm to provide actuarial consulting services to the NHRS in the following substantive areas: 1) general actuarial consulting services; 2) valuation services; 3) consultation advisory services and 4.) extended services as required from time to time. More detailed descriptions of these services are set forth in Appendix A under the heading Scope of Services.

All inquiries and contact with the NHRS regarding this request for proposal should be directed to:

**Mr. Richard Joyal, Business & Financial Operations Director
New Hampshire Retirement System
54 Regional DRIVE
Concord, NH 03301
Phone: (603) 410-3564
dick.joyal@nhrs.org
FAX: (603) 410-3501**

All written inquiries and answers will be provided to all parties that have expressed an interest in responding to this request for proposal (RFP). Only written responses will be binding upon the NHRS.

1.1 PENSION PLAN BACKGROUND AND GENERAL INFORMATION

The NHRS is a multi-employer contributory defined benefit plan qualified as a tax-exempt entity under section 401(a) and 501(a) of the Internal Revenue Code. The plan provides retirement, disability, and death benefit protection to its members and their beneficiaries. The NHRS also administers a separate postretirement medical plan which provides subsidy for postretirement medical premiums for eligible pension plan members. A member's pension benefit is based on a predetermined formula measured by salary and service credit.

The NHRS is administered by a thirteen-member board of trustees, which includes one State Senator, one State Representative, the State Treasurer as an ex-officio member, two employees, two teachers, two firefighters, two police officers, and two public members. The Board of Trustees formulates administrative policies and procedures, authorizes benefit payments to members and manages the trust funds.

The NHRS Board of Trustees meets at least once a month. The NHRS also submits a Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on June 30th to the Fiscal Committee of General Court, established By RSA 14:30-A. The Fiscal Committee collectively consists of 10 members from the House of Representatives and the Senate of the State of New Hampshire.

The CAFR is prepared in conformity with the principles of government accounting and most current reporting pronouncements of Government Accounting Standard Board (GASB) and Generally Accepted Accounting Principles (GAAP). The CAFR is prepared on an accrual basis of accounting each fiscal year and is available on the NHRS website at www.nh.gov/retirement/.

1.2 CONTACT PERSON

The principal contact at NHRS for this RFP is Richard Joyal, Business & Financial Operations Director.

1.3 TENTATIVE TIMETABLE

The following is the tentative time schedule applicable to this RFP. All dates are subject to modification by the NHRS.

Issuance of RFP and Official Notices Placed: April 14, 2006

Question Deadline: May 2, 2006

Response Deadline May 31, 2006

Site Visits for Finalists by NHRS staff: June-July 2006

Finalist Interviews by the NHRS: August 8, 2006

1.4 SPECIFICATIONS AND DEADLINE FOR PROPOSAL SUBMISSION

1.4.A GENERAL

Direct all questions and correspondence regarding this RFP to:

Richard Joyal, Business & Financial Operations Director
New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301
Phone: 603-410-3564
Fax: 603-410-3501
dick.joyal@nhrs.org

Only written questions submitted by the question deadline will be accepted. Written answers to such questions shall be sent to each person on record as having received an RFP and will be posted on the NHRS website.

As of April 14, 2006, firms which intend to submit a Proposal should not contact any NHRS Staff or Board Member, other than to submit written questions to the “Contact Person”. Communicating directly or indirectly with any other NHRS staff or Board member during this RFP process will result in immediate elimination from the selection process. An exception to this rule applies to firms which currently do business with the NHRS, but any contact made by such firms should be limited to ongoing business, and should not relate to this RFP.

1.4.B PROPOSAL FORMAT

Complete proposals shall consist of a NON-PRICE Technical Proposal and a PRICE PROPOSAL as outlined below:

NON-PRICE TECHNICAL PROPOSAL

NON-PRICE Technical Proposal (Technical Proposal) submitted in a sealed envelope marked:

**ACTUARIAL CONSULTING SERVICES
(TECHNICAL PROPOSAL)
Submitted by: (Name of Offeror)
Date Submitted: (Date)**

The Technical Proposal shall contain absolutely NO reference to cost or price.

PRICE PROPOSAL

PRICE PROPOSAL (Price Proposal) submitted in a separate sealed envelope marked:

**ACTUARIAL CONSULTING SERVICES
(PRICE PROPOSAL)
Submitted by: (Name of Offeror)
Date Submitted: (Date)**

The price proposal should be itemized and quoted as follows:

1.) For Valuation Services:

Biennial Actuarial Valuation
GASB 43 Actuarial Valuation
Comprehensive Annual Financial Report

The fee for the valuation services listed in Appendix A, Section B are to be quoted as an estimated biennial or annual fee and should be itemized and quoted by position, estimated hours needed, hourly rates and extended cost.

2.) For all other services other than valuation services, the fee should be quoted as an hourly rate. It is preferred that hourly rates be quoted for all positions who may reasonably be expected to work on the proposed contract with the NHRS.

Please deliver proposals to the Contact Person at the above listed address, NO LATER THAN 5:00 p.m. EDT on the Response Deadline: an electronic file containing the Technical Proposal and the Price Proposal; twenty (20) hard copies of the Technical Proposal (all in separate sealed and marked envelopes); and twenty (20) hard copies of the Price Proposal (all in separate sealed and marked envelopes).

PROPOSALS NOT SUBMITTED BY THE RESPONSE DEADLINE AT THE ABOVE ADDRESS WILL NOT BE ACCEPTED.

Any proposals not completed in the manner specified in this RFP will not be evaluated.

1.4.C WAIVER/CURE OF MINOR INFORMALITIES, ERRORS AND OMISSIONS

The NHRS in its sole discretion, reserves the right to waive or permit cure of minor informalities, errors or omissions with respect to this RFP.

1.4.D REJECTION OF PROPOSALS.

The NHRS reserves the right to reject without prejudice any or all proposals, to waive any informality and to retain all proposals submitted and use any idea or concept in a submitted proposal regardless of whether that proposal is selected.

1.5 PRE-PROPOSAL QUESTIONS

Specific questions concerning the RFP should be submitted electronically in writing to the Contact Person by Question Deadline.

1.6 COSTS OF PREPARING THE PROPOSAL

The costs and delivery of the proposal are solely the responsibility of the firm. The NHRS is not liable for any costs incurred by the proposer in replying to this RFP.

1.7 ACTUARIAL CONSULTING SERVICE AGREEMENT

The NHRS will enter into a Service Agreement in the form attached to this RFP as **Appendix C**, which provides that, among other things, a consultant to the NHRS will act as a fiduciary. Each firm responding to this RFP shall be required to state under the Representations and Warranties, set forth in Section 7.0 hereof, that it will agree to and execute the Service Agreement in the form set forth.

2.0 INFORMATION AND CONDITIONS FOR PROPOSAL SUBMISSION

2.1 ADDENDA

Any supplemental instructions, amendments, or changes in the RFP, or attached documents, shall be in the form of a written addendum to this Request. If issued, such addenda shall be sent electronically to all firms on record as having requested an RFP. Failure of any Offeror to respond to any addenda may result in the rejection of its entire proposal.

2.2 CHANGES TO PROPOSAL

The NHRS shall unconditionally accept a proposal without alteration or correction, except as provided in this paragraph. If, prior to the final filing date for submission of proposals, an Offeror discovers an error or omission in a proposal already submitted to the NHRS, the only method of correcting, modifying, or completing the proposal is to withdraw the proposal in its entirety prior to the final filing date and time by written notification to the NHRS. A complete, corrected proposal package may be resubmitted, but not after the Response Deadline. Modification offered in any other manner - oral, written, or facsimile transmission - will not be considered.

2.3 ACCEPTANCE OF PROPOSAL

The proposal will be firm for one hundred-twenty (120) calendar days after the Response Deadline. The submission of a proposal shall constitute agreement on the part of the Offeror that, if the Offeror is provided a notice of acceptance by mail, electronic mail, facsimile or personal delivery within one hundred-twenty (120) days of the Response Deadline, the Offeror will, within fifteen (15) calendar days of receipt of such notice, return to the NHRS two (2) signed copies of the NHRS Service Agreement attached to this RFP as **Appendix C**. If such signed Service Agreements are not received by the NHRS within such fifteen (15) day period, the NHRS has the option to select another offeror.

All responses and materials related to this RFP will become the property of the NHRS.

2.4 BASIS FOR ACCEPTANCE / CONFLICT OF INTEREST

Any proposal made will be accepted only on the basis that the Offeror, by filing its proposal, represents that it is made in good faith without fraud, collusion or connection of any kind with any other Offeror for the same work; the Offeror is competing solely in its own behalf without connection with, or obligation to any undisclosed person, firm or corporation; and that no other person, firm or corporation has any interest in the Service Agreement

2.5 REQUIRED ATTACHMENTS AND ENCLOSURES

In addition to the responses to the RFP questions, the following information must be submitted as part of a firm's response.

- a. **Cover Letter** – The Proposal must include one (1) electronic copy and four (4) hard copies of a cover letter (Cover Letter) which will be considered an integral part of the Proposal, and which shall be signed by at least one individual who is authorized to bind the firm contractually. The Cover Letter must include: (a) the firm name, address and telephone/fax numbers; (b) the primary client contact; (c) the title or position which the signer of the cover letter holds in the firm; and (d) a statement to the effect that the Proposal is a firm and irrevocable offer of the firm.
- b. **Representations and Warranties** – The Warranties contained in Section 7.0 hereof, signed by an authorized officer of the firm, must be included as an attachment to the Cover Letter.
- c. **Executive Summary** – Please also submit and attach to the Cover Letter an executive summary consisting of not more than three (3) one-sided pages which summarize the contents of the Proposal with the firm's name identified on the top of the first page.

3.0 METHODOLOGY FOR EVALUATING PROPOSALS

The most advantageous proposal shall be selected pursuant to the following process:

- a. In advance of the Response Deadline, the Executive Director shall designate staff to facilitate the search process. For those responses received by the Response Deadline, the facilitator(s) will first evaluate each Offeror's Technical Proposal and determine whether it meets all of the proposal submission requirements outlined in this RFP and the Minimum Qualifications for Consideration specified below. Any Proposal which, in the opinion of the NHRS staff, fails to meet such requirements or the Minimum Qualifications for Consideration will be eliminated from further consideration.
- b. All proposals that meet the submission requirements and the Minimum Qualifications for Consideration will be evaluated further by the staff facilitator(s) in accordance with the Selection Criteria, as more fully outlined and explained below. Four rating categories will be used to evaluate each proposal under the Selection Criteria and determine a Composite Rating for each Offeror. The rating categories are -- "Highly Advantageous," "Advantageous", "Not Advantageous," and "Unacceptable."
- c. The search facilitator(s) will evaluate, as an additional Selection Criterion, each Offeror's Price Proposal as a consideration (and not the determining factor) in that Offeror's composite rating.
- d. Using the Composite Rating derived from the evaluation of the Selection Criteria and the Price Proposal, the search facilitator(s) shall select several Finalists for consideration by the NHRS Board of Trustees.
- e. The NHRS Board of Trustees or designee will review the Finalists, conduct such interviews as it deems necessary, and select the Most Advantageous Proposal.

4.0 MINIMUM QUALIFICATIONS FOR CONSIDERATION

As noted above, an Offeror must meet the following minimum criteria to be given further consideration as of May 31, 2006, unless otherwise provided herein. Failure to meet the following minimum criteria will result in the Proposal's immediate rejection by the search facilitator(s):

- a. The firm must be a professional actuarial consulting firm that provides actuarial valuations, experience studies, asset/liability studies, actuarial audits, and pension consulting services.
- b. The firm must have all necessary permits and licenses. Liability insurance must be in full force at the time the proposal is submitted and throughout the duration of the contract. If the liability is a "claims made form" the policy, must also be in effect for three years after the duration of the contract.
- c. The firm must have a minimum of five (5) current pension plan clients; each of the five (5) clients listed must have at least 50,000 members and annuitants.
- d. The firm must be able to assign a secondary actuary to the NHRS account in addition to the primary actuary so that at least one is available for immediate needs.
- e. The primary actuary assigned to the NHRS's account must be a Fellow of the Society of Actuaries (Fellow) and an enrolled actuary. Any secondary actuary performing services under the Service Agreement must be a Fellow, an enrolled actuary or have at least five (5) years of actuarial pension consulting experience.
- f. The primary actuary performing the services under the Service Agreement must have a minimum of ten (10) years of experience as an actuary providing pension consulting services, experience analysis, and valuation assignments for multi-employer public retirement systems of at least 50,000 members and annuitants.
- g. Any secondary actuary performing services under the Service Agreement must have at least five (5) years of experience as an actuary providing pension consulting services, experience analysis, valuation assignments for multi-employer public retirement systems with memberships of at least 50,000 members and annuitants.
- h. Both the primary and at least one secondary actuary performing services under the Service Agreement must have experience testifying before legislative and administrative bodies in support of actuarial positions or principles used in valuing the system or determining the actuarial impact of legislation.
- i. The firm must not require a limitation of their liability from negligence.
- j. The firm shall provide at no extra cost to NHRS an electronic tracking system for entering and monitoring the status of NHRS requests for the firm to do work under the Service

Agreement. The firm may propose any sort of electronic tracking system that would meet these requirements efficiently and effectively.

k. The firm must provide its own work facilities, equipment, supplies, and support staff to perform the required services.

5.0 SELECTION CRITERIA

The following criteria through a consensus scoring will apply to the selection of Finalists for consideration by the NHRS:

- a. The Firm's Organization and Staff Qualifications 20%
- b. The Firm's Methodology 30%
- c. The Firm's References 20%
- d. The Firm's Fee Proposal 30%

6.0 SCOPE OF SERVICES

Under the direction and the general supervision of the NHRS and Executive Director, the consultant will provide a number of services as outlined in Appendix A.

7.0 REPRESENTATIONS AND WARRANTIES

All proposers are required to submit an executed copy of this Section 7.0 as an attachment to the cover letter described in Section 2.5(b) of the RFP.

- A. Proposer warrants that it maintains an errors and omissions insurance policy providing a prudent amount of coverage for negligent acts or omissions and that such coverage will be applicable to proposer's actions under the Service Agreement in Appendix C.
- B. Proposer warrants that it will not delegate its fiduciary responsibilities assumed under the Actuarial Consulting Service Agreement in Appendix C.
- C. Proposer warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations required by a government or governmental authority for acts contemplated by the Service Agreement in Appendix C.
- D. Proposer warrants that it will agree to the provisions of the Service Agreement which are set forth in Appendix C of this RFP.
- E. Proposer warrants that it meets all of the Minimum Qualifications for Consideration specified in Section 4.0 of the RFP as follows:

(Please list each Minimum Qualifications for Consideration specified in Section 4.0 and specifically describe how your firm meets each such criteria.)

Name of Firm:

Signature:

Title:

Date:

APPENDIX A

SCOPE OF SERVICES:

A. General Actuarial Consulting Services

1. **Load and reconcile NHRS data.** NHRS will furnish the Firm with all data and statistical information deemed necessary to perform the specified contract services, provided the data is available in NHRS records and files. Data will be in a format agreed upon by NHRS and the Firm.
2. **Treat all member information as confidential.**
3. **Document discussion ideas, issues, and manage extended services.** Share responsibility with NHRS for documenting in writing all ideas and issues that arise in discussions and meetings. The primary actuary shall review, approve, and sign all price quotations for extended services and final reports.
4. **Perform all services within the scope of the Service Agreement under the direction of a qualified actuary.** The firm's choice of actuaries must be employees of the firm who meet the Minimum Qualifications outlined in Section 4.0 of this RFP. NHRS reserves the right to reject the firm's choice of consulting actuaries and may terminate the Service Agreement if a consulting actuary, acceptable to the NHRS Executive Director, cannot be made available by the firm.

In addition, the consultant will be asked to perform such other duties or activities as may be required, provided they are consistent with and contemplated by the foregoing.

B. Valuation Services

1. **Perform biennial actuarial valuations.** The results of the biennial actuarial valuations will be presented in a report to the Board and will be certified by the primary actuary. Consultant will also be responsible for recommending to the NHRS Board of Trustees any economic and demographic valuation assumption changes deemed prudent.
2. **GASB 43 and 45.** The actuary will be responsible for insuring that the Postretirement Medical Insurance Subsidy program administered by the NHRS is in full compliance with the new GASB 43 and 45 pronouncements. It is anticipated that the actuary will have to complete an actuarial valuation for that program and provide the NHRS with the necessary reporting disclosures required by those GASB pronouncements.
3. **Comprehensive Annual Financial Report (CAFR).** The actuary will be responsible on an annual basis for preparing the Actuarial Section of NHRS's CAFR. This responsibility will include a certification letter and all schedules required to complete the Actuarial Section of the CAFR. Further, the actuary will be responsible for preparing a limited number of schedules

and disclosure notes for the Financial Section of NHRS's CAFR. All text and schedules shall be prepared in accordance with GASB principles and reporting requirements.

C. Consultation and Advisory Services:

- 1. Provide actuarial consultation and advisory services.** These services will be delivered in meetings and by telephone calls, written correspondence and reports. NHRS expects these services may include public testimony to boards, committees, and legislators on any technical, policy, legal or administrative issues arising from the course of NHRS operations. The primary actuary shall also be available for educational discussions with the Board or NHRS staff.
- 2. Prepare various actuarial operating tables and factors.** Periodic revision and review of these tables and factors may be required for the operation of NHRS. These tables and factors include, but are not limited to, payment option tables for retirees and beneficiaries, present value factors, service purchase factor tables, and present value calculations.
- 3. Prepare actuarial cost analysis of proposed legislation.** The actuary shall provide timely actuarial cost analyses of proposed statutory amendments as requested by the Executive Director or designee. All actuarial cost analysis must be completed in accordance with RSA 100-A. NHRS expects the actuary to prepare an average of 15 estimates per year. The majority of these requests occur during the regular session of the New Hampshire General Court and will require the actuary's response within 10 working days.
- 4. Recommend possible improvements in NHRS financing and benefit structure.**
Throughout the duration of the Service Agreement, the primary actuary will inform NHRS of developments in the retirement industry and their effect on the financing and benefit structure of a retirement system.
- 5. Assist NHRS staff in drafting new legislation or proposed changes to existing retirement laws affecting NHRS.** Furthermore, the consulting actuary will assist NHRS in developing strategies and recommend specific strategies for resolving any policy or administrative problems associated with implementing new legislation.
- 6. Assist in establishing specifications for the NHRS data files.** Periodically, NHRS may request the consulting actuary to provide feedback on the content of the data files and make suggestions for modifications to ensure that the full range of data needed for costing proposed legislation and performing actuarial valuations, experience studies and asset/liability studies is maintained.
- 7. Provide advice on special benefit cases.** NHRS may occasionally request that the consulting actuary review individual benefit applications or service purchase requests and perform computations related to these special cases.

D. Extended Services and Deliverables. NHRS anticipates that the consulting actuary will perform the services identified below on an as-needed basis:

1. **Conduct experience studies.** The Board recently reviewed and adopted the results of the 2005 Experience Study covering the five year period ending June 30, 2005. The next experience study is tentatively scheduled for the five year period ending June 30, 2010. The actuarial consultant will specify what data needs to be provided to the actuarial consultant each fiscal year to support the completion of the experience studies every fifth fiscal year.
2. **Conduct asset/liability studies.** Conduct or provide assistance with the asset/liability studies and modeling. A comprehensive asset/liability modeling is currently being conducted and will be reviewed by the Board before June 30, 2006. This cycle is scheduled to be repeated concurrent with the five year experience study.
3. **Perform other services as requested.** The firm may be requested to provide additional consulting services or develop reports which are not specifically listed in this scope of services. These services or reports will be negotiated individually with the actuary on an as needed basis.
4. **Provide a simulation model for use by NHRS.** Develop, deliver and install a simulation model for use by NHRS based on the most recent valuation results and current plan provisions. The consulting actuaries shall provide the necessary training, and upon request, technical assistance to NHRS on use of the simulation model. The model shall project actuarial and statutory contribution rates, asset and liability measures and the unfunded actuarial accrued liability. The model will allow NHRS to make projections based on changes to key variables such as investment return, amortization period, inflation rates, future COLA, and future payroll growth scenarios. The model shall be updated and provided to NHRS within sixty (60) days after completion of each valuation.

APPENDIX B

TECHNICAL PROPOSAL QUESTIONNAIRE

While additional data may be presented, the following subjects must be included in the Technical Proposal in the same order as listed below. The following questions and requests outlined in the RFP should be duplicated in their entirety in the proposal, with each question or request repeated before the answer or response:

A. Organization

- 1.Name of your firm, its address, telephone number, and primary contact for the request for proposal.
- 2.List your regional offices.
- 3.How long has the firm been in business?
- 4.Explain your organization's present ownership structure, including affiliates and subsidiaries.
- 5.How many years has the firm been providing actuarial consulting services? To tax-exempt clients? To public pension fund clients? Please include the categories of services available to such clients during this period.
- 6.Please list any services provided to the NHRS within the last five years. For each service provided, the firm shall indicate the scope of the work, the dates, the location of the office and, the principal client contact.
- 7.Please describe the financial condition of the firm and include a copy of the firm's financial statement for the three most recent annual reporting periods.
- 8.Please describe any significant developments in your organization which have occurred since January 1, 2001 (changes in ownership, personnel reorganization, etc.).
- 9.Please describe any anticipated near term changes in your organization's basic ownership structure or any other significant changes in your organization.
- 10.Does your firm have any affiliations with investment managers, trusts, brokerage firms, etc? If so, how do you avoid conflicts of interests?

11. Please provide a copy of your firm's Code of Ethics policy.
12. What percentage of your organization's revenues is attributable to the actuarial consulting practice?
13. Does your organization provide any other services or engage in any other lines of business aside from actuarial consulting services? If so, please describe such services and the percentage of last year's revenues that was attributable to such services.
14. Does your organization have any clients or associations that could present a conflict of interest and possibly compromise the objectivity of its advice to the NHRS? If so, please explain.
15. Does your organization carry fiduciary liability or any other insurance that could be beneficial to the NHRS? If so, please describe the insurer, the type of insurance coverage, the beneficiary of such coverage, the limits of such coverage and the deductible amount under such coverage. Will you supply a copy of the policies for review if requested? Does such insurance require notice of pending cancellation to your clients?
16. Since January 1, 2001, has the firm, the primary actuary, or another officer or principal been involved in any litigation or other legal proceedings or government investigation involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty relating to services provided by your firm? If so, provide an explanation for each and indicate the current status.
17. Please list your other state administered public pension fund clients, size of the portfolios and the number of members and annuitants on which your organization consults for them.
18. Provide as Appendix A an organization chart that diagrams the ownership of your firm and any interrelationships between parent-subsidary, affiliate, and joint venture entities.
19. Provide as Appendix B an organization chart that depicts the structure of the actuarial consulting group and that identifies this group's key people and the people that will be involved in providing direct services to NHRS.
20. Briefly describe the firm's competitive advantage over other firms in the actuarial consulting industry. Explain why NHRS should hire your firm.

B. Depth and Experience of Personnel

1. Please name and include a brief resume of the person you propose to be Primary Actuary for the NHRS. Please state which of the firm's offices would service this account.

2. Please identify below all principals of the firm and also designate which individuals, including research and systems support personnel, will be committed to the NHRS's account. Include the length of experience in actuarial consulting services, any specialty expertise they possess, and the highest educational degree they have attained.

| Name | Title | Years With Firm | Consulting Experience | Education |
|-------------|--------------|----------------------------|------------------------------|------------------|
|-------------|--------------|----------------------------|------------------------------|------------------|

3. Please provide biographical data on all the individuals listed above. Include a list of articles published by such individuals in financial journals on topics related to the pension funding issues.
4. Please explain how the team dedicated to the NHRS account would function, including Primary Actuary, back up, quality control, research and support services.
5. What are the procedures for addressing the NHRS's issues when the Primary Actuary or other assigned personnel are traveling or unavailable?
6. Will the Primary Actuary committed to the NHRS account consult for the NHRS exclusively? If not, how many client relationships will the Primary Actuary have other than the NHRS? What are the client/actuary and client/support personnel ratios for the firm?
7. Please provide an estimate of the percentage of the Primary Actuary's time, as well as the time of other dedicated consultants, to the NHRS account.
8. Please list the Primary Actuary's current clients and engagements by asset size, type of client (e.g., public fund, corporate fund, endowment) and type of engagement (e.g., general consulting services, project-based service).
9. Please describe the firm's back-up procedures in the event the key personnel assigned to the NHRS should leave the firm. If applicable, give an example of a situation where this procedure has been utilized.
10. Please indicate the turnover of professional staff (senior management and consulting personnel) over the past five years as follows.

| Person | Position | Date Left | Reason for Leaving | Replaced by |
|---------------|-----------------|------------------|---------------------------|--------------------|
|---------------|-----------------|------------------|---------------------------|--------------------|

11. Describe the firm's compensation arrangements for senior management and the Primary Actuary, including any incentive and other bonuses and how and for what they are awarded. Does staff participate in equity ownership? If ownership is not available, is there a specific arrangement for sharing in the profits earned by the enterprise? What specific incentives are employed to ensure key professionals do not leave the firm?

12. For the Primary Actuary and all Secondary Actuaries, state whether any of these individuals are affiliated with any business entity or activity that could pose a potential conflict of interest with their NHRS assignments. If so, provide details on the entity or activity.

C.Methodology

1. Describe the steps your firm would take, with starting and ending dates for each step, in transitioning service provision from the current NHRS actuarial consultant to your firm.
2. Extend the timeline provided above to encompass the entire first NHRS contract year. Indicate activities relative to servicing the NHRS account, with starting and ending dates for each activity.
3. Describe your firm's theory and methodology for development of actuarial assumptions.
4. Describe your firm's approach to implementing GASB statements 43 and 45 as it relates to NHRS. Describe the steps your firm would take in transitioning NHRS to these new standards for determining funding requirements and reporting.
5. Describe your approach to measuring funded status and funding progress in order to facilitate the assessment of trends over several valuations of a client.
6. Describe your firm's methodology and approach to purchased service credit as it relates to NHRS. Describe the steps your firm would take, with the starting and ending dates for each step, to complete a review of the service purchase factors by December 1, 2006.
7. Describe your firm's methodology and approach to actuarial factors used to compute benefit payment options as it relates to NHRS. Describe the steps your firm would take, with the starting and ending dates for each step, to complete a review of the payment option factors by December 1, 2006.
8. Provide at least two (2) examples of approaches used by the actuarial consultant that have assisted plan sponsors or decision-makers in formulating appropriate funding arrangements or plan design issues for each of the following : (1) the pension plans; (2) COLAs; & (3) postretirement medical plans. Indicate the major potential implications and consequences of each approach.
9. Please describe services or projects that, although not included in the scope of this RFP, your firm would propose to provide NHRS in order to deliver more complete and thorough services. What fees are charged for these additional services or projects?

Provide as Appendix C one (1) recent valuation report as provided to an existing client.

Provide as Appendix D one (1) recent experience study report as provided to an existing client.

D. Client Relations and References

1. Please indicate in the chart below the composition of the firm's client base using the number and percentages of clients. Please explain if the firm's client base is heavily weighted to any particular type of investor.

Client Type Number Percentage

State Administered Public Pension Funds _____

Other Public Pension Funds _____

Corporate Pension Funds _____

Endowments _____

Other (Specify) _____

TOTAL _____ 100%

2. Please provide a current list of the five (5) largest clients including name, contact, telephone number, asset value, number of years the client has retained your firm, and product or service the client uses. In addition, include all of the information for your public fund clients regardless of their size. The NHRS may contact any of these clients as references.
3. Please give details on the number, name(s), membership numbers and asset values of any client relationships that were either terminated or not renewed in the last three years with reasons for the termination or non-renewal. The NHRS may contact any of these clients as references.
4. Please give details on the number, name(s), membership numbers and asset values of any new client relationships gained in the last three years.
5. Explain the firm's goals and desires for expansion, particularly how such goals pertain to accepting new client business and the quality of service to all clients. Is there a limit to the number of new clients the firm will accept? At what point will the firm need to add additional staff? What is the client/actuary ratio of both the firm and the proposed Primary Actuary?

APPENDIX C

ACTUARIAL CONSULTING SERVICES AGREEMENT

THIS AGREEMENT, effective as of **xxxxx** 1, 2006, is made by and between the New Hampshire Retirement System (“NHRS”) and [Name of Firm] (“Consultant”).

1. Appointment of the Actuary. The NHRS hereby appoints and retains the Consultant, and the Consultant agrees to provide consulting services, upon and subject to the terms hereof, beginning at the opening of business on **XXXXX** 1, 2006 (the “Effective Date”) and continuing until this Agreement is terminated in accordance with the terms hereof. The Consultant agrees to provide services in accordance with (a) this Agreement, and (b) the Scope of Services set forth in the appropriate Schedule(s) hereto.

2. Confidentiality. The Consultant will maintain in strictest confidence the advice and information it furnishes to or receives from the NHRS in connection with this Agreement; provided, however, that the Consultant will be permitted to disclose or communicate to a proper party any information received from the NHRS or developed by the Consultant under the terms of this Agreement, if such disclosure or communication is necessary to carry out the purposes of this Agreement or is required by law. Before such disclosure or communication, the Consultant, unless prohibited by law, will notify the NHRS of the information to be disclosed or communicated, the party requesting the disclosure, and the party to whom that information will be disclosed or communicated. The terms of this paragraph shall not be interpreted so as to prevent the Consultant from providing advice to other clients who share comparable objectives with the NHRS. The provisions of this section shall survive the expiration or termination of this Agreement.

3. Personnel. The Consultant shall allocate such personnel and devote such efforts as are necessary for it to carry out its duties under this Agreement. The Consultant shall not change any Primary Actuary without the prior written consent of the NHRS. The Primary Actuary shall be [name of individual].

4. Reports. The Consultant shall promptly notify the NHRS in writing (1) of any change in the Consultant’s representations in this Agreement during the term of this Agreement; (2) of any change in the senior management or key professionals, or material changes in ownership of the Consultant’s organization; (3) of any change in the Primary Actuary assigned to the NHRS; (4) of any other material change in the Consultant’s business activities or circumstances; (5) of any action taken by the Consultant that is contrary to or inconsistent with this Agreement; and (6) of the commencement by any governmental regulatory or law enforcement agency of any investigation, examination or other proceeding directly involving the Consultant, its owners, or employees, except such investigations, examinations or other proceedings as are routinely conducted in the ordinary course of the Consultant’s business.

5. Fees and Expenses. The Consultant will be entitled to receive from the NHRS as complete compensation for services rendered hereunder the fees set forth in Schedule C [to be generated

by your firm and attached to executed copy of Agreement] hereto. The Consultant will not be paid or reimbursed for any expenses except to the extent set forth in Schedule C or authorized by the NHRS in advance and in writing.

6.Services Not Exclusive. The services of the Consultant and its personnel to be provided under this Agreement are not exclusive, and the Consultant may provide services to others and engage in other activities, but the Consultant will allocate such personnel and devote such efforts as are necessary for it to carry out its duties under this Agreement.

7.Representations by the Consultant. The Consultant represents and warrants that it has completed, obtained or performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority for the performance of the acts contemplated by this Agreement. The Consultant will deliver documentation of such compliance annually or as the NHRS may reasonably request.

8.Termination. The term of this Agreement shall be up to five (5) years from the date of this Agreement; provided, however, that the term may be extended for an additional period of up to two (2) years by written agreement of the parties at least 90 days prior to the expiration of this initial five-year term. Notwithstanding the foregoing, this Agreement may be terminated by the NHRS for any reason upon not less than thirty (30) days' written notice to Consultant, and by Consultant for any reason upon not less than ninety (90) days' written notice to the NHRS. In addition, the NHRS may terminate this Agreement immediately upon notice to Consultant (i) upon any material breach by Consultant of its obligations hereunder; (ii) if Consultant files for bankruptcy or state law receivership; (iii) if in the reasonable judgment of the NHRS, Consultant becomes financially unstable so as to jeopardize its ability to perform the services required under this Agreement; (iv) if Consultant is the subject of criminal investigation, indictment or conviction, when in the NHRS's sole judgment such action jeopardizes Consultant's ability to perform the services required under this Agreement; or (v) in the event of any material change in the control of Consultant or a change in or departure of any Primary Actuary. Upon termination of this Agreement, Consultant will immediately and in all cases within ten (10) business days of receipt of termination notice, deliver to the NHRS all property and documents pertaining to the NHRS then in the custody of Consultant, including the NHRS's data on a disk that may be retained by the NHRS or transferred to another Consultant. A pro rata determination of fees, if appropriate, will be made for any quarter in which this Agreement has been terminated.

9.Fiduciary Status of The Consultant With respect to the performance of its duties and responsibilities hereunder, the Consultant acknowledges that it will act as a fiduciary to the NHRS. The Consultant will discharge its duties and responsibilities under this Agreement in accordance with the fiduciary standards of conduct and other requirements as they apply to the Consultant related to avoidance of the conflict of interest and shall perform its duties in accordance with general fiduciary standards and laws, including, but not limited to, the NHRS Code of Ethics.

10.Disclosure Statements and Conflicts. The Consultant shall immediately advise the Executive Director of the NHRS in writing of any arrangements with third party firms who may have received or shared in the payment of fees for services provided to the Consultant in

connection with the securing or the continuation of this Agreement. Consultant shall not directly or indirectly receive any benefit from recommendations or advice made to the NHRS and shall immediately disclose in writing to the NHRS any economic interests which may be enhanced by the recommendations made to the NHRS. In any situation in which the interests of the NHRS may be in material conflict with the interests of Consultant or with those of other clients of Consultant, Consultant will immediately inform the NHRS in writing of these conflicts.

11.Liability. In addition to those requirements set forth in Section 9, at all times the Consultant shall exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The Consultant shall not be subject to liability for any act, omission or mistake of judgment in the course of, or connected with, the performance of its responsibilities hereunder, except for its own negligence, willful misconduct or lack of good faith. The Consultant shall in no way be responsible for guaranteeing the financial success advice provided to the NHRS. While Consultant will make recommendations to the NHRS regarding many actuarial issues, nothing in this Agreement shall delegate to Consultant any of the NHRS's duties and responsibilities under applicable law. Nothing herein shall be construed to waive any liability that the Consultant has under applicable federal or state laws. The provisions of this section shall survive the expiration or termination of this Agreement.

12.Authority. Each of the parties to this Agreement represents that it is duly authorized and empowered to execute, deliver and perform this Agreement, that such action does not materially conflict with or violate any provision of law, rule or regulation, deed of trust, or other instrument to which it is a party or to which any of its property is subject, and that this Agreement is a valid and binding obligation, enforceable against such party in accordance with its terms.

13.Professional Liability Insurance. The Consultant agrees to maintain during the term of this Agreement appropriate levels of professional liability insurance. The Consultant agrees to provide the NHRS with satisfactory written proof that this insurance is in effect and that appropriate levels are maintained.

14.Indemnification. Consultant shall indemnify and hold harmless the NHRS and its Board of Trustees, employees and representatives against any claim, loss or liability (collectively "Liability") to the extent such liability arises out of or results from willful misconduct, gross negligence or breach of this Agreement by the Consultant. The acceptance of said services and duties by the NHRS shall not operate as a waiver of such right of indemnification. NHRS shall indemnify and hold harmless Consultant, its officers, employees, shareholders directors, and agents against any Liability to the extent such Liability arises out of or results from the willful misconduct, gross negligence or breach of this Agreement by NHRS, its Board of Trustees, employees, and/or representatives. The acceptance by the Consultant of fees for services performed hereunder shall not operate as a waiver of such right of indemnification.

15.Communication. Any approvals, instructions, directions, notices or other communications pursuant to this Agreement will be mailed or delivered:

a)to the NHRS at:

New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301
Attention: Robert Leggett, Executive Director

b)to the Consultant at:
[Firm name and address]

Either party may change the address for notices or other communications to it by written notice to the other party stating the new address. Notices from either party to the other will be effective when received by the addressee.

16. Assignment, etc. The Consultant will not assign this Agreement without the prior written consent of the NHRS. This Agreement and applicable Schedule(s) constitutes the entire Agreement of the parties with respect to its subject matter and supersedes all prior oral or written agreements or understandings between the parties concerning the subject matter of this Agreement, which may only be amended by a written amendment signed by both parties.

17. Headings; Attachments. Headings are for convenience only, and the text of this Agreement will govern the rights and obligations of the parties. Each of the Schedules hereto is incorporated herein by reference.

18. Disputed Matters. With respect to any controversy or dispute arising out of this Agreement, interpretation of any of the provisions hereof, or the actions of the Consultant or the NHRS hereunder, each of the parties consents to the non-exclusive jurisdiction of all of the federal and state courts in the State of New Hampshire, agrees that venue with respect to any action in such State shall lie exclusively in Merrimack County, New Hampshire, and waives any defense of forum non conveniens.

19. New Hampshire Law. This Agreement will be considered to be an instrument made under seal in the State of New Hampshire and it will be construed and the rights and obligations of the parties determined in accordance with the laws of New Hampshire, without giving effect to conflicts of law principles. The Consultant agrees it at all times will be qualified to do business in the State of New Hampshire.

IN WITNESS WHEREOF, the Consultant and the NHRS have executed this Agreement as of the date first above written.

[Name of Firm] NEW HAMPSHIRE RETIREMENT SYSTEM

BY: _____ BY: _____
[Name/Title] Chairman, New Hampshire Retirement System

Date Signed: _____ Date Signed: _____

Schedule A to Actuarial Consulting Services Agreement
Scope of Services for Actuarial Consulting

A. General Actuarial Consulting Services

2.Load and reconcile NHRS data. NHRS will furnish the Firm with all data and statistical information deemed necessary to perform the specified contract services, provided the data is available in NHRS records and files. Data will be in a format agreed upon by NHRS and the Firm.

5.Treat all member information as confidential.

6.Document discussion ideas, issues, and manage extended services. Share responsibility with NHRS for documenting in writing all ideas and issues that arise in discussions and meetings. The primary actuary shall review, approve, and sign all price quotations for extended services and final reports.

7.Perform all services within the scope of the Service Agreement under the direction of a qualified actuary. The firm's choice of actuaries must be employees of the firm who meet the Minimum Qualifications outlined in Section 4.0 of this RFP. NHRS reserves the right to reject the firm's choice of consulting actuaries and may terminate the Service Agreement if a consulting actuary, acceptable to the NHRS Executive Director, cannot be made available by the firm.

In addition, the consultant will be asked to perform such other duties or activities as may be required, provided they are consistent with and contemplated by the foregoing.

B. Valuation Services

2.Perform biennial actuarial valuations. The results of the biennial actuarial valuations will be presented in a report to the Board and will be certified by the primary actuary. Consultant will also be responsible for recommending to the NHRS Board of Trustees any economic and demographic valuation assumption changes deemed prudent.

2.GASB 43 and 45. The actuary will be responsible for insuring that the Postretirement Medical Insurance Subsidy program administered by the NHRS is in full compliance with the new GASB 43 and 45 pronouncements. It is anticipated that the actuary will have to complete actuarial valuations for that program and provide the NHRS with the necessary reporting disclosures required by those GASB pronouncements.

3.Comprehensive Annual Financial Report (CAFR). The actuary will be responsible on an annual basis for preparing the Actuarial Section of NHRS's CAFR. This responsibility will include a certification letter and all schedules required to complete the Actuarial Section of the CAFR. Further, the actuary will be responsible for preparing a limited number of schedules and disclosure notes for the Financial Section of NHRS's CAFR. All text and schedules shall be prepared in accordance with GASB principles and reporting requirements.

E. Consultation and Advisory Services:

- 1. Provide actuarial consultation and advisory services.** These services will be delivered in meetings and by telephone calls, written correspondence and reports. NHRS expects these services may include public testimony to boards, committees, and legislators on any technical, policy, legal or administrative issues arising from the course of NHRS operations. The primary actuary shall also be available for educational discussions with the Board or NHRS staff.
- 2. Prepare various actuarial operating tables and factors.** Periodic revision and review of these tables and factors may be required for the operation of NHRS. These tables and factors include, but are not limited to, payment option tables for retirees and beneficiaries, present value factors, service purchase factor tables, and present value calculations.
- 3. Prepare actuarial cost analysis of proposed legislation.** The actuary shall provide timely actuarial cost analyses of proposed statutory amendments as requested by the Executive Director or designee. All actuarial cost analysis must be completed in accordance with RSA 100-A. NHRS expects the actuary to prepare an average of 15 estimates per year. The majority of these requests occur during the regular session of the New Hampshire General Court and will require the actuary's response within 10 working days.
- 4. Recommend possible improvements in NHRS financing and benefit structure.**
Throughout the duration of the Service Agreement, the primary actuary will inform NHRS of developments in the retirement industry and their effect on the financing and benefit structure of a retirement system.
- 5. Assist NHRS staff in drafting new legislation or proposed changes to existing retirement laws affecting NHRS.** Furthermore, the consulting actuary will assist NHRS in developing strategies and recommend specific strategies for resolving any policy or administrative problems associated with implementing new legislation.
- 6. Assist in establishing specifications for the NHRS data files.** Periodically, NHRS may request the consulting actuary to provide feedback on the content of the data files and make suggestions for modifications to ensure that the full range of data needed for costing proposed legislation and performing actuarial valuations, experience studies and asset/liability studies is maintained.
- 7. Provide advice on special benefit cases.** NHRS may occasionally request that the consulting actuary review individual benefit applications or service purchase requests and perform computations related to these special cases.

F. Extended Services and Deliverables. NHRS anticipates that the consulting actuary will perform the services identified below on an as-needed basis:

1. **Conduct experience studies.** The Board recently reviewed and adopted the results of the 2005 Experience Study covering the five year period ending June 30, 2005. The next experience study is tentatively scheduled for the five year period ending June 30, 2010. The actuarial consultant will specify what data needs to be provided to the actuarial consultant each fiscal year to support the completion of the experience studies every fifth fiscal year.
2. **Conduct asset/liability studies.** Conduct or provide assistance with the asset/liability studies and modeling. A comprehensive asset/liability modeling is currently being conducted and will be reviewed by the Board before June 30, 2006. This cycle is scheduled to be repeated concurrent with the five year experience study.
3. **Perform other services as requested.** The firm may be requested to provide additional consulting services or develop reports which are not specifically listed in this scope of services. These services or reports will be negotiated individually with the actuary on an as needed basis.
4. **Provide a simulation model for use by NHRS.** Develop, deliver and install a simulation model for use by NHRS based on the most recent valuation results and current plan provisions. The consulting actuaries shall provide the necessary training, and upon request, technical assistance to NHRS on use of the simulation model. The model shall project actuarial and statutory contribution rates, asset and liability measures and the unfunded actuarial accrued liability. The model will allow NHRS to make projections based on changes to key variables such as investment return, amortization period, inflation rates, future COLA, and future payroll growth scenarios. The model shall be updated and provided to NHRS within sixty (60) days after completion of each valuation.